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STATE INSURANCE.

BY ERVING WINSLOW.

LIFE-INSURANCE is a striking instance of that devolution in quasi-public enterprises which has been observable of late in so many directions. The *laissez-faire* method, in view of such conditions, has few advocates to-day. The question which men are asking everywhere is how an evolution can be promoted towards better conditions from the low estate to which life-insurance has fallen. In Italy, the disgust with life-insurance matters has actually gone so far as to lead to the return in the Cassa Providenti Italiani to the crude and unscientific method of annual division among the insured lives of the whole receipts of the year.

The dismal tale of lapsed policies, excessive premiums, deferred and tontine payments, overpaid agents, deceptive schemes, costly advertising and canvassing, extravagant salaries, enormous profits and rake-offs by the management and its friends has been spread before the eyes of the public. It seems improbable that the life-insurance companies can regain confidence with thoughtful men through any of the remedial half-measures which it has been proposed to embody in legislation. In the first place, it has become evident that the efforts which have been made, under such influential auspices—with so much labor and expense—in consequence of the recent exposures, to exclude from the management the persons responsible for the evils disclosed, have not succeeded in overcoming the mechanism by which these persons retain their power of control. Again, there are obvious signs that a period of agitation for reform, fomented by the business enterprise of a certain class of publications to a hysterical intensity, is to be succeeded by the usual apathetic reaction. In fact, it is highly probable that at this day the funds of the great insurance companies are more absolutely pooled in the hands of a group of

"*haute finance*" than ever before, and are absolutely available for their schemes of selfish and oppressive promotion. As a corrective for this state of things, we have the threat of national control, a remedy which is perhaps worse than the disease, under the extraordinary claim that the regulation of interstate commerce confers such power upon the general Government. The application of this remedy is indeed checked for the moment by the prohibition of the courts, but the decisions of the courts have been so harshly criticised by a coordinate department of government that it seems extremely probable that a way may be successfully made to override or to reverse their decision.

Is it not a time for the exercise of that "generous rivalry" among the States in this matter to which Mr. Root incites them, as the only means of avoiding that centralization which he assumes to be inevitable in cases of necessity when the States individually cannot or will not act? So far, at least, it is unquestionable that the life-insurance companies are creatures of State law, controlled by the legislatures of the States in which they operate, and transacting their affairs beyond the limits of these States only on sufferance of the local governments. In Massachusetts, the first State to attempt to regulate life-insurance by government supervision half a century ago, a bill has been introduced—recognizing the failure of that supervision to be effectual—to assume life-insurance as a State undertaking. The doctrine of State rights may have been invoked elsewhere to give State protection to predatory wealth and to secure it from national interference, but Massachusetts is not that kind of a State, and many of her citizens believe that she can conduct these vital concerns under the eyes of her own people, untrammelled by the speculators of Wall Street or the politicians of Washington.

The bill provides for the establishment of an unpaid board of citizens, to be appointed by the Governor, to act with the Insurance Commissioner as a board of trustees or managers of a State system of life-insurance and annuities, with the use of funds of the Commonwealth as a working capital until the plan has reached a settled basis. The plan is simplicity itself, and leaves opportunity for its expansion in details as the full development of the idea is made so as to cover industrial insurance. The present session of the Massachusetts Legislature may not see

the adoption of the measure, for, besides the various regulations for the control of the insurance business, two special schemes are urged, one for what is called Counter Insurance in favor of a new company applying for an enacting authority, and another for an attachment of life-insurance to the savings-banks, promoted by a so-called League, working through the press and in the State House with large funds. Of course, all the arguments offered in favor of these plans drawn from the disastrous experience of life-insurance can be urged and are urged in favor of the State system.

In spite of the efforts that have been made in behalf of the savings-bank plan, the general disfavor with which it has been received has not failed to find expression, notably from former Governor Long of Massachusetts, who has recently presented a few of the objections to it with clarity and eloquence. It seems incredible that many officers of these institutions will look favorably upon this very doubtful annex to their excellent work. Admirable as is their general history, we must not forget that officials of the savings-banks have been tempted and have fallen through their alliance with national banking institutions and otherwise, and they will not desire to expose themselves to farther temptations nor to undertake an alliance foreign to their purpose and involving an entirely new set of machinery. As for the depositors in the savings-banks, if a referendum could be submitted to them, it could hardly be doubted that an enormous majority would deplore any such complication with the ideal and with the practice of savings institutions.

Concerning the proposed Counter Insurance—that is to say, insurance offered at the counter without any canvass or solicitation—it is interesting to note that, while what are called industrial insurance and cooperative companies have had enormous success in England, a record of the postal savings-banks, which furnish substantially counter insurance, reveals the following record of failure:

In 1899 there were insured in the P.O. Banks 827 persons carrying insurance of	£43,723
In 1900 there were insured in the P.O. Banks 677 persons carrying insurance of	35,512
In 1901 there were insured in the P.O. Banks 920 persons carrying insurance of	44,296
In 1902 there were insured in the P.O. Banks 720 persons carrying insurance of	34,646

In 1903 there were insured in the P.O. Banks 592 persons carrying insurance of£31,413

Of course, the expense of industrial insurance is greatly increased by the employment of collectors or canvassers; but, under proper management and supervision, some such system has a highly eleemosynary character. One of the most valued features of the work of organized charity associations is the house-to-house visiting for collection of small regular deposits for the savings-banks or for voluntary benefit funds, and it is probable that those who are insured can afford to pay and will be willing to pay for a proper method of thus handling their affairs. In the "Insurance Press" of January 30th, Mr. Frederick L. Hoffman, in a long argument in favor of the industrial insurance companies, has summed up with great effect the arguments derived from experience in America and in England, with an elaborate statistical presentation, of the need of individual collections of insurance premiums.

Thus it would undoubtedly be found wise and desirable in the State system to collect and canvass for the industrial or wage-earners' insurance in which small premiums are paid at short intervals, while those who desire insurance for themselves would seek the opportunity for obtaining it at a rate which would be proportionately lower in this class of insurance as the expense of agencies and solicitors is eliminated. Apart from the graft of the insurance companies, their competition has brought about a condition of things in which, as usual, consolidation looms up as the only remedy, and the alternative of public control is obviously suggested.

While Great Britain proper as yet affords no examples of state insurance, we find it developed in her colonies, where English progress is vindicating itself more distinctly than at home, and it is well established in various forms in France, Belgium and Italy, the necessities of the situation and the control required by the state having, apparently, naturally led on to nationalizing systems of insurance. The Bank of France, providing for pensions or annuities, has met great success in collective insurance in which firms insure their employees, including almost all the railways and larger mining companies and many other large industrial concerns. The system in Belgium is very similar to that in France. In Italy, the employer can even insure his civil re-

sponsibility by making a somewhat larger payment in taking out collective insurance for his employees. In New Zealand, the state life-insurance company, according to available statistics, wrote about forty per cent. of the whole number of policies written. In December, 1904, there were outstanding 110,227 policies, representing £27,074,171. Overdue policies are automatically kept alive as long as the surrendered value is sufficient to pay a quarter's premium. Since the first establishment of the department, nearly £10,000,000 have been returned to the insured in dividends, and the success of the plan has long passed beyond the sphere of experiment.

Should we be alarmed in establishing such a system by the mere bogie of a name? In nothing would it contravene the principles of self-help and self-reliance. It would, indeed, prevent the need of that kind of help which we find it impossible to obtain and of that reliance which we find it impossible to give when we are brought up against the private administration of insurance interests. The stock company has often proved to be a chartered despoiler and the mutual company a hypocritical plunderer. It is as impossible for the individual policyholder to reach one as to reach the other; and perhaps the mutual company is the more dangerous, as it offers a form of control while holding the substance as firmly as the stock company, as recent experience has shown.

State insurance offers a security which cannot be obtained through any private corporation, even though enormous accumulations have been made by excessive premiums and deceptive plans of the private companies. The disastrous days of the failure of insurance companies in 1873 must not be forgotten. No matter how excellent the names of the founders of private corporations, they may be succeeded by the careless, the incompetent or the dishonest. The Government institution makes no profits. It offers facilities to employers who can insure their operatives without going to the expense of themselves conducting an actuarial system. It leaves the employers and employees absolutely free to make arrangements between themselves as they may think fit, while the employees' receipts are not conditional upon remaining in the service of a particular employer or dependent upon his financial ability.

The State institution, of course, would be entirely self-support-

ing. Conducted under the civil-service rules, it should be economical and efficient; and, finally, it appeals to men of standing and weight in the community to give that kind of supervision which they have given with so much skill and devotion to the savings-banks since their foundation. It may be stated as a very just and confident belief that some method of public insurance will sooner or later be adopted in the United States. It is, perhaps, to be determined very soon whether it shall be done promptly and wisely by individual States, or whether it must come through yet more disastrous experiences of failure, dishonor and robbery, and perhaps by the seizure of the sovereign powers of the States by some usurpation of the general Government.

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